

STAFF REPORT

ON

RIVER BLUFFS, INC.

CASE NO. 2007-00433

Pursuant to a request by River Bluffs, Inc. ("River Bluffs") for assistance with the preparation of a rate application, Commission Staff performed a limited financial review of River Bluffs' test period operations, the calendar year ending December 31, 2006. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Upon completion of its limited review, Staff assisted River Bluffs in the development and preparation of its rate application, which River Bluffs filed with the Commission on October 3, 2007. Staff hereby adopts the contents of River Bluffs' application as its recommendation in this report as if fully set out herein. Jason Green of the Commission's Division of Financial Analysis is responsible for the pro forma revenue adjustment and the calculation of the recommended rate. Mark Frost of the same division is responsible for all pro forma expense adjustments and the revenue requirement determination.

On page 2 of the application, attached hereto as Appendix A, is the adjusted pro forma operating income statement wherein adjustments were made to test period operating revenues and expenses that were known and measurable and deemed to be reasonable. The revenue requirement determination, Exhibit B of the application and